

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER ☐MOTOR CARRIER MATTER ☐UTILITIES MATTER ☒DATE **November 15, 2019**DOCKET NO. **2019-184-E**

ORDER NO. _____

SUBJECT:

DOCKET NO. 2019-184-E - South Carolina Energy Freedom Act (H.3659) Proceeding to Establish Dominion Energy South Carolina, Incorporated's Standard Offer, Avoided Cost Methodologies, Form Contract Power Purchase Agreements, Commitment to Sell Forms, and Any Other Terms or Conditions Necessary (Includes Small Power Producers as Defined in 16 United States Code 796, as Amended) - S.C. Code Ann. Section 58-41-20(A) – Staff Presents for Commission Consideration the South Carolina Energy Freedom Act (H.3659) Proceeding to Establish Dominion Energy South Carolina, Incorporated's Standard Offer, Avoided Cost Methodologies, Form Contract Power Purchase Agreements, Commitment to Sell Forms, and Any Other Terms or Conditions Necessary (Includes Small Power Producers as Defined in 16 United States Code 796, as Amended) - S.C. Code Ann. Section 58-41-20(A).

COMMISSION ACTION:

See Attached Motion

PRESIDING: RandallSESSION: RegularTIME: 2:00 p.m.

	MOTION	YES	NO	OTHER
BELSER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
ERVIN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	voting via telephone
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	voting via telephone
RANDALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WHITFIELD	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WILLIAMS	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	voting via telephone

(SEAL)

RECORDED BY: J. Schmieding

Mr. Chairman,

I would like to make motions regarding the Dominion avoided cost issues in Docket No. 2019-184-E.

First, I would note that we have an outstanding motion – a Motion to Strike – filed by Dominion which seeks to strike the Power Advisory LLC Report. In essence, Dominion charges that Power Advisory did not properly perform its duties under Act 62, by failing to create independently generated recommendations. This is a misunderstanding of the plain language of Act 62. By that I mean that it is readily apparent that the Commission’s independent consultant is statutorily charged with, among other things, independently evaluating the positions proposed by the parties to the case. In light of the plain language of Act 62, I move that we deny Dominion’s Motion to Strike.

Next, I would address the issue of transparency in this case. Transparency, for purposes of these proceedings, is a two-fold concept. The willing and timely responses to requests for production is one part of transparency; further, the utility’s report is to be reasonably transparent so that underlying assumptions, data, and results can be independently reviewed. Power Advisory reports that Dominion responded to all requests for production. However, there was concern that the underlying assumptions, data, and results did not have documentation presented that would allow for accessible analysis. While Dominion adequately responded to requests for production, as expected, I move that we instruct Dominion to present substantially more information about the underlying assumptions and data, such that the parties to such future proceedings may more meaningfully evaluate and analyze the methodologies and models employed by the utility. I move that we adopt the recommendations in the Power Advisory Report in respect to the Company’s future avoided cost filings.

The methodology used by Dominion in this case is the Difference in Revenue Requirement method. I move that we find that this method is designed to reasonably reflect the utility’s actual cost – and avoided cost- of power production, pursuant to S.C. Code Section 58-41-20(B)(3).

Dominion proposed Variable Integration Charges and Embedded Integration Charges – both of which were designed to reflect the additional cost of connecting solar power generation to the Company’s system. Specifically, the “VIC” was to be applied to existing generators and the “EIC” was to be applied to the future generators via an embedded reduction in the avoided cost rate available to those generators. I move that we accept Power Advisory’s recommendations to apply an interim value of \$2.29/MWh to both the VIC and EIC, and order that we initiate an integration study in accordance with South Carolina Annotated Section 58-37-60 in Dominion’s balancing area. Once the integration study process set out in Section 58-37-60 is completed, I move that we initiate a proceeding as allowed under S.C. Code Section 58-41-20(A) for the purpose of addressing Dominion’s avoided costs, armed with the publicly reviewed evaluation of solar integration in Dominion’s balancing area.

In consideration of Avoided Capacity, as Mr. Horii points out, the Company’s proposed avoided capacity is calculated using several inputs or assumptions that are inaccurate, namely, the reserve margin, excessive and inconsistent use of low cost capacity purchases, an overly long combustion turbine life, and a mismatch between the avoided cost resource change and the assumed size of a CT unit. However, Dominion Witness Lynch also performed an Effective Load-Carrying Capability, or ELCC, analysis that resulted in, among other things, a 4% capacity value for solar. I move that we accept the recommendation of Power Advisory and adopt the 4% capacity

value, which is derived by the ELCC analysis performed by Dr. Lynch, and uses an industry standard methodology according to Power Advisory.

The Avoided Cost rates recommended by Power Advisory are just, reasonable, and reasonably reflective of the utility's cost of generation. Those avoided costs are as follows:

Avoided Capacity

This Commission agrees with Power Advisory's recommendation that the avoided capacity rates proposed by ORS Witness Horii in Direct Evidence be approved, with one potential correction. The capacity rate for solar should be adjusted to reflect an ELCC value for a 93 MW increment above the current existing and contracted solar capacity. This contracted capacity is currently 1,048 MW, which implies a capacity value of about 4%, as I previously discussed.

Avoided Energy

	Time Period	Avoided Energy Rates
Rate PR-1 Avoided Energy Rates for Solar QF's	May 2019 – April 2020	\$0.03114/kWh
Rate PR – Standard Offer	2020-2024	\$0.02112/kWh
Rate PR- Standard Offer	2025-2029	\$0.02375/kWh

Net Energy Metering and Distributed Energy Resource Values

Table 4: Current Period Value of DER (\$/kWh): 2019 Proposed (Neely Amended Direct, pp. 22) and E3 Recommended

	DESC 2019 (Current Period)	E3 Recommended (Current Period)	Components
1	\$0.02671	\$0.03022	Avoided Energy Costs
2	\$0.00000	\$0.00000	Avoided Capacity Costs
3	\$0.00000	\$0.00000	Ancillary Services
4	\$0.00000	\$0.00000	T&D Capacity
5	\$0.00003	\$0.00003	Avoided Criteria Pollutants
6	\$0.00000	\$0.00000	Avoided CO ₂ Emission Cost
7	\$0.00000	\$0.00000	Fuel Hedge
8	\$0.00000	\$0.00000	Utility Integration & Interconnection Costs
9	\$0.00000	\$0.00000	Utility Administration Costs
10	\$0.00089	\$0.00089	Environmental Costs
11	\$0.02763	\$0.03114	Subtotal
12	\$0.00226	\$0.00235	Line Losses @ 0.9245
13	\$0.02989	\$0.03349	Total Value of DER

Table 3: 10-year Levelized Value of DER (\$/kWh): 2019 Proposed (Neely Amended Direct, p. 22) and E3 Recommended

	DESC 2019 IRP Planning Horizon (10-year Levelized)	E3 Recommended (10-year Levelized)	Components
1	\$0.01523	\$0.02111	Avoided Energy Costs
2	\$0.00000	\$0.00379	Avoided Capacity Costs
3	\$0.00000	\$0.00000	Ancillary Services
4	\$0.00000	\$0.00000	T&D Capacity
5	\$0.00003	\$0.00003	Avoided Criteria Pollutants
6	\$0.00000	\$0.00000	Avoided CO ₂ Emission Cost
7	\$0.00000	\$0.00000	Fuel Hedge
8	\$0.00000	\$0.00000	Utility Integration & Interconnection Costs
9	\$0.00000	\$0.00000	Utility Administration Costs
10	\$0.00105	\$0.00105	Environmental Costs
11	\$0.01631	\$0.02598	Subtotal
12	\$0.00133	\$0.00189	Line Losses @ 0.9245
13	\$0.01764	\$0.02787	Total Value of DER

I move that we adopt these avoided cost rates.

There are other contract terms that my motion needs to address; most notably, the contract length. The General Assembly has mandated that electric utilities must initially offer to purchase power from QFs pursuant to fixed price PURPA PPAs with commercially reasonable terms and a duration of ten years. Act 62 also provides that the Commission “may . . . approve commercially reasonable fixed price power purchase agreements with a duration longer than ten years, which **must contain additional terms, conditions, and/or rate structures** as proposed by intervening parties and approved by the commission, **including** but not limited to, **a reduction in the contract price** relative to the ten year avoided cost.” S.C. Code. Ann. § 58-41-20(F)(1). In her testimony, Johnson Development Witness Chilton agreed that a decrement to the 10-year avoided cost rate is required in order for the Commission to adopt a fixed price contract for a term longer than 10 years. In her prefiled surrebuttal testimony, she

left open the possibility to later offer testimony regarding various methods of complying with the Act 62 requirements for longer term contracts. However, that testimony was never offered. She did not identify any specific proposal that Johnson Development supported to comply with the statutory requirements for the Commission to consider a longer-term fixed price PPA. Therefore, Commission approval of a fixed price power purchase agreement with a duration longer than 10 years is not supported by the evidence in this record; only a 10-year contract term is. Because any determination by the Commission to approve contracts with a duration of longer than ten years must be predicated on specific proposals from intervenors that comply with S.C. Code Ann. § 58-41-20(F)(1) and are entered into the evidentiary record during the course of this proceeding, I move we decline to approve the proposals from Johnson Development and SCSBA at this time. I do note that such proposals, and others, may appropriately be addressed in the record of the next avoided cost proceeding such that all parties may have their due process rights protected.

There are other contract terms and conditions that were at issue in this case, and I would address them as follows:

1. Regarding Liquidated Damages and Extension Payments, I move that we approve the liquidated damages provision as described by Witness Levitas in his surrebuttal testimony on this matter. In that testimony liquidated damages are based on expected annual capacity payments up to 15 MW and a \$10,000 per MW payment over 15 MW.
2. Regarding Guaranteed Energy Production, I move DESC's provision for termination if the Facility fails to deliver 85% of the Guaranteed Energy Production in any two consecutive Contract Years should be eliminated from PPAs.
3. Regarding Energy Storage, I move that we accept the Power Advisory recommendation and decline to require contract terms and conditions regarding energy storage in power purchase agreements at this time, since SBA and the Company entered into a settlement which requires DESC to make a filing by December 31, 2019 regarding energy storage contract terms as such settlements are recognized as not being superseded by Act 62.
4. Regarding Termination Payment, I move that we accept the Power Advisory recommendation and order that the floor on damages be removed and require that the formula provided by Power Advisory be used to reflect the cost of replacement energy at the then-current costs of replacement energy.
5. Regarding Limiting PPA Eligibility Following Termination, I conclude that restricting the ability to pursue fixed-pricing is inconsistent with PURPA and therefore move that we adopt Mr. Levitas' recommendation of implementing damages per the Standard Offer and Form PPA for failure to execute a PPA in a timely fashion.
6. Regarding the Day In-service Deadline, I move that we approve a requirement to deliver power within 365 days of establishing a LEO, but accept the Power Advisory recommendation, reflecting Mr. Levitas's proposal, that it is reasonable and logical to

align PPA terms with LEO requirements, and that the NOC form acknowledge Excusable Delays that would impact the in-service deadline.

7. I move that we not require the eligibility preconditions sought by DESC regarding permitting.

An order more fully setting out our rulings will follow. Mr. Chairman, that is my motion.